

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1967 - SB 2506

February 15, 2018

SUMMARY OF BILL: Requires a business or individual who engages in the sale of goods and services to clearly print the issue date on the sales receipt given to the purchaser when they issue a gift certificate. Requires the expiration date of a gift certificate be no less than five years after the date of issuance unless the gift certificate is issued in paper form. Requires the expiration date of paper gift certificates be at least two years after the date of issuance. Requires the issuer of a gift certificate that was issued for more than \$5.00 to redeem any remaining value less than \$5.00 in cash if requested. Prohibits the issuer of a gift certificate from charging an activation fee greater than \$5.00 or charge any fees for dormancy or inactivity, with certain exceptions. Establishes that a violation of this part is considered an unfair or deceptive act or practice affecting the conduct of trade or commerce pursuant to the *Tennessee Consumer Protection Act of 1977*.

ESTIMATED FISCAL IMPACT:

NOT SIGNIFICANT

Assumptions:

- The Division of Consumer Affairs can handle any increase in formal complaints, utilizing existing staff during normal work hours.
- Committing an unfair or deceptive practice under the *Consumer Protection Act of 1977* is a Class B misdemeanor offense.
- There will not be a sufficient number of Class B misdemeanor prosecutions for state or local government to experience any significant increase in revenue or expenditures.

IMPACT TO COMMERCE:

Increase Business Revenue – \$253,792,000

Assumptions:

- Businesses who issue gift certificates will experience an increase in business revenue as a result of now being authorized to charge limited activation fees on gift cards.

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- Total volume of gift card sales in the United States is projected to reach \$160,000,000,000 in 2018. The proposed legislation will apply to approximately 77 percent of such sales due to the exceptions from the definition of a “gift certificate” established by this legislation.
- Tennessee population (6,715,984) represents 2.06 percent of the total United States population (325,719,178).
- The total applicable volume of gift card sales in Tennessee in 2018 is estimated to be \$2,537,920,000 (\$160,000,000,000 x 77% x 2.06%). This number is assumed to remain constant into perpetuity.
- Based on industry statistics, the average amount purchased per gift certificate is estimated to be \$50.
- The issuance fee imposed on such purchases, pursuant to this legislation, is estimated to be \$5.00.
- The total recurring increase in business revenue is estimated to be \$253,792,000 $[(\$2,537,920,000 / \$50) \times \$5.00]$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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